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RESOLUTION ADOPTED BY THE GENERAL ASSEMBLY

[*on the report of the Second Committee (A/52/626/Add.1)*]

52/180. Global financial flows and their impact on the developing countries

The General Assembly,

Reaffirming its resolutions 51/166 of 16 December 1996, entitled "Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions", and 50/91 of 20 December 1995, entitled "Global financial integration: challenges and opportunities", as well as Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

Stressing that, in the context of global financial integration, global financial flows present new challenges and opportunities for the international community and should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions,

Expressing its concern that a number of developing countries, in the course of liberalizing their external economic and financial regimes, have become more vulnerable to the volatile fluctuations of private capital flows in international financial markets, and stressing the importance at the national level in the countries concerned of a favourable climate of private financial flows, sound macroeconomic policies and appropriate functioning of markets,

Noting that the globalization of financial markets can generate new risks of instability, including interest rate and exchange rate fluctuations, which have the potential to aggravate the volatility of short-term capital flows and to affect adversely the international financial system, requiring all countries to pursue sound economic policies and to recognize the external economic impact of their domestic policies,

Mindful that all countries should continue their efforts to promote sustained economic growth and sustainable development, in accordance with relevant General Assembly resolutions and recent United Nations conferences, and that the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, have important responsibilities to cooperate with developing countries so as to enhance the efforts of the developing countries to address and alleviate their major problems in the areas of finance, trade and external indebtedness,

Recognizing the potential benefits for the world economy of greater freedom of capital movements, but at the same time noting that the capital account liberalization process could put additional stress on the economies that are already straining to adjust to globalization and in that regard necessitates, *inter alia*, effective management by those economies,

Welcoming the initiatives that the Bretton Woods institutions, especially the International Monetary Fund, have taken to address the question of the volatility of capital flows so as to contribute to minimizing its potential negative impacts on all countries, in particular developing countries,

1. *Takes note* of the report of the Secretary-General entitled "Global financial integration: an update";[1]

2. *Reiterates* the need for broadening and strengthening the participation of developing countries in the international economic decision-making process;

3. *Stresses* that sound domestic macroeconomic policies of each country in regard to promoting macroeconomic stability and growth are primary elements for determining private capital flows and that the coordination of macroeconomic policies, where appropriate, and a favourable international economic environment play an important role in reinforcing their effectiveness;

4. *Recognizes* that a number of developing countries have been able to take advantage of the globalization of finance, and notes the need for the expansion of private capital flows and for broader access by developing countries to those flows, and therefore the need for the international community to assist low-income countries, especially those in Africa, in their efforts to create the enabling environment necessary to attract such flows;

5. *Notes* that a number of developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of finance and continue to be in great need of official development assistance;

6. *Recognizes* the need to explore ways to broaden appropriate enhanced cooperation and, where appropriate, coordination of macroeconomic policy among interested countries and monetary and financial authorities and institutions so as to enhance preventive consultation arrangements between such institutions as a means of promoting a stable international financial environment conducive to economic growth, particularly of developing countries, taking into account the needs of developing countries as well as situations that may have a significant impact upon the international financial system;

7. *Also recognizes* the importance of ensuring transparency and accountability at the national level to achieve policy credibility and confidence-building as well as sound regulatory and supervisory arrangements so as to strengthen the domestic financial system, and further recognizes the importance of a stable international economic environment and stability in the international monetary system;

8. *Stresses* the need for strengthened international cooperation through strengthened regional and multilateral cooperation to prevent future currency crises, which negatively affect not only developing countries but also the international financial and monetary system;

9. *Recognizes* the benefit of exchange rate stability and a stable financial environment and the potential impact on all countries of lack of stability in the foreign exchange markets, and in that regard invites the International Monetary Fund to exercise fully its mandate to sustain effective surveillance over the underlying macroeconomic policies of its member countries, in particular those countries whose economies are particularly relevant for the stability of the international monetary and financial system;

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[1] A/52/406.

10. *Also recognizes* that an effective International Monetary Fund surveillance mechanism requires, among other elements, the regular and timely provision of reliable economic and financial data from all Fund members, and in that regard invites the Fund, within its mandate, to explore how data can be gathered from other relevant sources in order to contribute to the effectiveness of its surveillance mechanism;

11. *Takes note* of the work of the Basel Committee on Banking Supervision, notes that some developing countries participated in the work of drafting banking standards, and recognizes the need for enhanced participation of developing countries in such work;

12. *Invites* the International Monetary Fund to ensure that, in exercising its role in promoting capital account liberalization, it does so in an orderly and flexible manner so as to enable member countries to tailor capital account liberalization to the circumstances of each individual country;

13. *Requests* the Secretary-General, in close cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to analyse the current trends in global financial flows, make recommendations in the *World Economic and Social Survey, 1998* and the *Trade and Development Report, 1998* on ways and means to address the volatility of those flows, including measures to help economies to become more resilient with regard to currency fluctuations, and report on the effect of those fluctuations on growth and development, in particular in developing countries;

14. *Also requests* the Secretary-General, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to report to the General Assembly at its fifty-third session on the implementation of the present resolution.

77th plenary meeting
18 December 1997